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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF)	
PACIFICORP DBA UTAH POWER & LIGHT)	CASE NO. PAC-E-02-1
COMPANY FOR APPROVAL OF CHANGES)	
TO ITS ELECTRIC SERVICE SCHEDULES.)	COMMENTS OF THE
)	COMMISSION STAFF
)	

COMES NOW the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Scott Woodbury, Deputy Attorney General, and in response to the Notice of Application, Notice of Modified Procedure, Notice of Comment Protest Deadline and Notice of Intervention Deadline issued on January 16, 2002, submits the following comments.

On January 7, 2002, PacifiCorp dba Utah Power & Light Company (PacifiCorp; Company) filed an Application with the Idaho Public Utilities Commission (Commission) requesting approval of the Company's proposed electric service schedules. Included in the Company's filing is a related Cost-of-Service (COS) study, a proposed Schedule 34-BPA Exchange Credit distribution, a proposed Power Cost Surcharge (\$38 million) and a proposed Rate Mitigation Adjustment (RMA).

PacifiCorp is requesting that the BPA credit be implemented immediately even if other aspects of the filing are suspended. BPA increased its credit effective October 1, 2001. PacifiCorp contends that it has a contractual obligation to pass the credit through to its customers

in a timely manner. Consequently, the Company is proposing that Schedule 34, the BPA credit, be approved for a February 1, 2002 effective date.

BACKGROUND

The Bonneville Power Administration (BPA) residential and irrigation exchange credit is a mechanism to provide benefits to qualifying customers of investor-owned utilities (like Utah Power) from the Federal Columbia River Hydroelectric system and to satisfy BPA's obligations under the Northwest Power Act of 1980. The credit is available only to residential and small farm customers and is provided to the Company's customers in Idaho through electric service Schedule No. 34. In recent years the benefits have been allocated 43% to residential customers and 57% to irrigation customers. The previous exchange agreement with BPA expired in 2001, and a new agreement (the 2001 Settlement) was entered into to provide a continuation of exchange benefits. In its 2001 rate case, BPA proposed an alternative to the traditional exchange. The alternative was to provide investor-owned utilities (IOUs) the option to purchase actual power or rights to power through a subscription process. IOUs that chose subscription did so as a settlement of their exchange rights for this period. The subscription was further split between actual power and a monetary portion that was calculated as a difference between BPA's price and BPA's forecasted market price. BPA expected to purchase additional resources in order to serve that portion of the subscription that was delivered as actual power. Faced with the potential of very high costs for these additional resources, PacifiCorp agreed to forego its right to actual power for an overall financial settlement of its exchange benefits. The resulting financial settlement provides \$34 million in benefits to qualifying Idaho customers for the first year and \$35.2 million in the second year. This level, the Company reports, is substantially higher than historical levels.

The Company proposes to allocate the settlement amounts between the residential and the irrigation customers in the same manner as the prior exchange agreement (i.e., 43% to residential customers and 57% to irrigation customers).

STAFF ANALYSIS AND RECOMMENDATIONS

The 2001 settlement between PacifiCorp and BPA provides the residential and small farm customers a credit of considerable value. The value of the credit, \$34 million in the first year, is substantially higher than it has been in the past. The amount that the Company actually proposes

to distribute to qualifying customers in year one is \$40.6 million. The two adjustments shown below account for this increase.

Year one BPA Credit	\$34,028,138
Four months of Credit x 43% (residential only)	\$ 4,877,366
Balance from 2001	\$ 1,662,510
Total (to be refunded in 1 st year)	\$40,568,014

This credit became effective October 1, 2001. However, as proposed by the Company, it will not be distributed to the customers until February 1, 2002. The credit that would have gone to the residential customers during this four-month period amounts to \$4.9 million. PacifiCorp proposes to have the anticipated four months' worth of credit (for the period from October 1 until the new credit level is implemented in rates) for residential customers included in the first year's credit rate. In other words, the rate for the first year will be set to distribute 16 months worth of credit to residential customers. Additionally, there was a balance from the 2001 Credit. The balance resulted from reduced energy usage by both irrigation and residential customers in 2001. The credit is distributed on a per kWh basis, so the lower energy usage resulted in not all the credit being distributed. The total amount of BPA credit the Company proposes to distribute to qualifying customers in year one is \$40.6 million. At the end of the first year, the rate will be reset to distribute the second year credit of \$35.2 million. The credit will continue at \$35.2 million for the third, fourth and fifth years. After five years a new financial settlement will have to be reached and the amount of the credit will change.

The Company proposes no adjustment for the four-month lag for irrigation customers. Irrigation usage, the Company contends, is largely completed by October 1. Therefore no Irrigation customers are affected by the delay during the four winter months. Irrigation payments, the Company also contends, fluctuate significantly year-to-year due to differences in irrigation usage during the irrigation season.

The credit will reduce residential customers rates by an average of 44% and irrigation rates by 63%. As can be seen in the attached table the Residential Schedule 36 / time-of-day (TOD) customers will actually see a greater percentage decrease than the Residential Schedule 1 customers. This is because the average base rate for the TOD customers is less. Even though the

Credit is made equally per kWh, the lower initial rate for TOD results in a larger calculated percent decrease.

Staff sees the BPA credit as a great benefit to residential and irrigation customers and recommends approval of the credit as proposed by the Company.

Dated at Boise, Idaho, this day of January 2002.

Scott Woodbury
Deputy Attorney General

Attachment

Technical Staff: Dave Schunke

SW:gdki:umisc/comments/pace02.lsw

UTAH POWER
ESTIMATED EFFECT OF PROPOSED BPA CREDIT
ON REVENUES FROM ELECTRIC SALES TO ULTIMATE CONSUMERS
BY RATE SCHEDULES IN IDAHO - Year 1

Line No.	Acct No.	Description	Sch. No.	Average No. of Customers	MWh	Current Revenues (\$000)			Proposed Sch. 34	
						Base Rev	Sch. 34 Credit	Net Rev	Credit (\$000)	Percent %
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(19)	(20)
								(6)+(7)		(19)/(6)
	440	Residential Sales								
1		Residential Service	1	28,524	257,880	\$ 22,056	(\$951)	\$21,105	(\$8,619)	-39.08%
2		Residential Optional TOD	36	<u>15,933</u>	<u>303,528</u>	<u>\$ 20,383</u>	<u>(\$1,039)</u>	<u>\$19,344</u>	<u>(\$10,132)</u>	<u>-49.71%</u>
3		Total Residential		44,457	561,408	\$ 42,439	(\$1,990)	\$40,449	(\$18,751)	-44.18%
	442	Commercial & Industrial								
4		General Svc - Lrg Power (R&F)	6A	222	28,149	\$ 1,761	(\$93)	\$ 1,668	(\$929)	-52.75%
5		Irrigation Rate	10	1,876	615,632	\$ 32,327	(\$5,578)	\$26,749	(\$20,344)	-62.93%
6		General Svc (R&F)	23A	1,310	16,388	\$ 1,468	(\$53)	\$ 1,415	(\$540)	-36.78%
7		Security Area Lighting (R&F)	7A	<u>181</u>	<u>141</u>	<u>\$38</u>	<u>(\$1)</u>	<u>\$37</u>	<u>(\$5)</u>	<u>-13.16%</u>
8		Total Sales to Ultimate Consumers		54,387	3,152,295	\$151,751	(\$7,715)	\$144,036	(\$40,569)	-26.73%